

Message Text

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ACTION NEA-10

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INFO AMEMBASSY BRUSSELS

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E.O.11652: N/A
TAGS: BEXP, IR
SUBJ: SAR CHESHMEH COPPER MINING

REF: TEHRAN 11870 AND PREVIOUS (NOTAL)

1. ACCORDING TO NEWS REPORTS FROM BRUSSELS, AGREEMENT HAS BEEN REACHED FOR THE KRUPP/MECHIM GROUP TO BUILD THE SAR CHESHMEH COPPER REFINERY. THE PROVISION FOR THE REFINERY WAS INCLUDED IN A TRADE PROTOCOL SIGNED IN BRUSSELS ON DECEMBER 22 BY MINISTER OF ECONOMIC AND FINANCE HUSHANG ANSARY AND ETIENNE KNOOPS, THE BELGIAN MINISTER OF TRADE.

2. ANSARY WAS QUOTED AS SAYING THAT NO CONTRACTS HAD YET BEEN SIGNED AND THAT SOME CHANGES WOULD HAVE TO BE MADE "TO MAKE THE DEAL MORE COMPETITIVE." ANSARY INDICATED THAT WEST GERMANY AND BELGIAN SUPPLIERS COULD BE PAID IN OIL FOR UP TO 50 PERCENT OF THE COST FOR GOODS AND SERVICES. HE ALSO SAID THAT DELEGATIONS OF THE PARTIES CONCERNED IN THE REFINERY PROJECT WOULD VISIT IRAN EARLY IN THE NEW YEAR TO MAKE FINAL ARRANGEMENTS FOR WHAT WAS DESCRIBED AS A \$135 MILLION REFINERY.
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3. MITSUI REPS NOTICEABLY UPSET AT ANNOUNCEMENT PARTICULARLY SINCE ON DECEMBER 22 AT SPECIFIC REQUEST OF TAVAKOLI OF NATIONAL COPPER COMPANY, THEY HAD SUBMITTED THEIR "FINAL PROPOSAL" ON THE PROJECT ON BEHALF OF MITSUI-FURUKAWA-SOUTHWIRE GROUP AND CONTINUED

TO BELIEVE KRUPP/MECHIM BID NON-COMPETITIVE IN PRICE.
EMBOFF NOT AWARE OF "FINAL" OFFER BUT "NEXT-TO-FINAL"
OFFER FOR REFINERY WITH 145,000 TON CAPACITY (REFTEL)
WAS \$136.9 MILLION, INCLUDING IRANIAN CUSTOMS AND
TAXES OR \$118.1 MILLION EXCLUSIVE OF CUSTOMS AND TAXES.
PROPOSAL FOR 160,000 TON CAPACITY FACILITY WAS
\$137.4 MILLION AND \$118.6 MILLION. IN TELEPHONE CONVER-
SATION DECEMBER 24, SHINODA IMPLIED "FINAL OFFER"
OFFERED LARGER CAPACITY FOR SAME PRICE AS FOR SMALLER
UNIT.

4. FOR PURPOSES OF COMPARISON, JUNE 29, 1976 PRICES
OFFERED BY U.S.-JAPAN WAS \$142.2 MILLION (\$121.4 MILLION)
WHILE FOR KRUPP/MECHIM IT WAS \$145.3 MILLION (\$124.4
MILLION). THE FORMER GROUP ALSO OFFERED TO PURCHASE
APPROXIMATELY 8,000 BPD OF IRANIAN LIGHT AND HEAVY
CRUDE OIL OVER A THREE-YEAR PERIOD (AT AN ESTIMATED
VALUE OF \$100 MILLION), AS WELL AS PURCHASING 6-12 THOUSAND METRIC
TONS PER YEAR OF COPPER CATHODES OVER A TEN YEAR PERIOD FROM
THE COMPLETION OF THE PROJECT (ESTIMATED VALUE - \$120-\$240
MILLION).

5. SHINODA CALLED ON TAVAKOLI ON DECEMBER 25 AND
REPORTED THAT LATTER PROFESSED NO PRIOR KNOWLEDGE OF
BRUSSELS ANNOUNCEMENT. SHINODA INDICATED HE PROPOSED TO
HANG IN THERE UNTIL FINAL WHISTLE.
MIKLOS

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